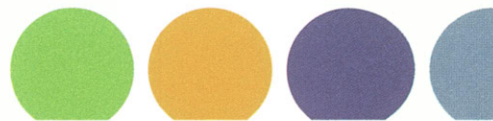


AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

(a nonprofit organization)

March 31, 2016 and 2015

CONSOLIDATED FINANCIAL STATEMENTS



AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Akron Community Foundation and Subsidiaries:

We have audited the accompanying consolidated financial statements of Akron Community Foundation and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akron Community Foundation and Subsidiaries as of March 31, 2016, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Akron Community Foundation and Subsidiaries' 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated June 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Brockman, Coats, Gedeliane & Co.

August 26, 2016

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****March 31, 2016 and 2015****(Amounts in thousands)**

ASSETS	2016	2015
Cash and cash equivalents	\$ 6,381	\$ 9,254
Accrued investment income	166	230
Contributions receivable, net	268	516
Prepaid expenses	68	80
Trust accounts	10,135	11,246
Note receivable	1,057	-
Investments	161,869	168,132
Real property held for investment	552	552
Property and equipment, net	1,453	1,528
Cash surrender value of life insurance	57	54
	<u>\$ 182,006</u>	<u>\$ 191,592</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants approved for future payment	\$ 389	\$ 549
Accounts payable and other liabilities	483	510
Funds held as agency endowment obligations	22,344	23,227
Total liabilities	<u>23,216</u>	<u>24,286</u>
Net assets:		
Unrestricted	44,220	45,128
Temporarily restricted	73,996	81,574
Permanently restricted	40,574	40,604
Total net assets	<u>158,790</u>	<u>167,306</u>
	<u>\$ 182,006</u>	<u>\$ 191,592</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended March 31, 2016

(with summarized totals for the year ended March 31, 2015)

(Amounts in thousands)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and other support:					
Contributions	\$ 3,540	\$ 6,840	\$ 90	\$ 10,470	\$ 13,647
Investment income	1,561	2,032	-	3,593	3,703
Net appreciation (depreciation) in investments and trust accounts	(4,199)	(6,481)	2	(10,678)	4,851
Less amounts for agency endowments:					
Contributions	(1,325)	-	-	(1,325)	(1,988)
Investment income	(388)	-	-	(388)	(398)
Net (appreciation) depreciation in investments	1,333	-	-	1,333	(613)
Interfund Grants	-	(126)	126	-	-
Other reclasses	248		(248)		
Net assets released from restrictions	9,843	(9,843)	-	-	-
Total revenues and other support	10,613	(7,578)	(30)	3,005	19,202
Expenses:					
Grants and other distributions	9,695	-	-	9,695	9,168
Administrative expenses	2,385	-	-	2,385	2,108
Investment expenses	704	-	-	704	704
Donor engagement expenses	-	-	-	-	228
Less amounts for agency endowments:					
Grants and other distributions	(962)	-	-	(962)	(644)
Administrative expenses	(225)	-	-	(225)	(203)
Investment expenses	(76)	-	-	(76)	(73)
Total expenses	11,521	-	-	11,521	11,288
Gross insurance proceeds due to fire	-	-	-	-	974
Fire related expenses	-	-	-	-	(260)
Loss on disposal of property and equipment	-	-	-	-	(2)
Increase (decrease) in net assets	(908)	(7,578)	(30)	(8,516)	8,626
Net assets, beginning of year	45,128	81,574	40,604	167,306	158,680
Net assets, end of year	\$ 44,220	\$ 73,996	\$ 40,574	\$ 158,790	\$ 167,306

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended March 31, 2016 and 2015

(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (8,516)	\$ 8,626
Reconciliation of change in net assets to net cash provided (used)		
by operating activities:		
Net (appreciation) depreciation in investments and trust accounts	10,678	(4,851)
Depreciation	88	73
Loss on disposal of property and equipment	-	2
Noncash contributions	(3,717)	(768)
(Increase) decrease in operating assets:		
Accrued investment income	64	(59)
Contributions receivable, net	248	345
Prepaid expenses	12	1
Cash surrender value of life insurance	(3)	(27)
Increase (decrease) in operating liabilities:		
Grants approved for future payment	(160)	(109)
Accounts payable and other liabilities	(14)	11
Funds held as agency endowments	(883)	2,078
Net cash provided (used) by operating activities	<u>(2,203)</u>	<u>5,322</u>
Cash flows from investing activities:		
Purchases of investments	(62,802)	(40,859)
Proceeds from sales and maturities of investments	63,202	37,892
Issuance of notes receivable	(1,086)	-
Payments received from notes receivable	29	-
Purchases of property and equipment through insurance proceeds	-	(758)
Expenditures for property and equipment	(13)	(80)
Net cash provided (used) by investing activities	<u>(670)</u>	<u>(3,805)</u>
Net increase (decrease) in cash and cash equivalents	(2,873)	1,517
Cash and cash equivalents, beginning of year	<u>9,254</u>	<u>7,737</u>
Cash and cash equivalents, end of year	<u>\$ 6,381</u>	<u>\$ 9,254</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended March 31, 2016 and 2015

(Amounts in thousands)

1. Summary of Significant Accounting Policies:

Nature of Activities – Akron Community Foundation (the “Foundation”) is a nonprofit organization which was organized in 1955. Its primary mission is to improve the quality of life in the greater Akron area by building permanent endowments and providing philanthropic leadership that enables donors to make lasting investments in the community. The Foundation is committed to enriching the life of the community through grant making in distinct areas: arts and culture, education, health and human services and civic affairs/community services.

Basis of Accounting – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation – The consolidated financial statements include the accounts of Akron Community Foundation, ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC. ACF Properties, LLC holds certain donated and acquired real property which is included on the consolidated statements of financial position as real property held for investment. Akron Digital Media Center/Akronist.com, LLC was organized to facilitate a community challenge grant received by the Foundation from another nonprofit organization. All significant transactions between these entities have been eliminated from the consolidated amounts.

Financial Statement Presentation – The Foundation presents information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – under the discretionary control of the Board of Directors and include amounts designated by the Board of Directors for specified purposes.

Temporarily Restricted Net Assets – are restricted by the donor for a specific purpose or for use in a future time period. As restrictions are met or expire, the net assets are released from restrictions and transferred to unrestricted.

Permanently Restricted Net Assets – are subject to the donor’s restriction that the principal remain invested in perpetuity.

Net investment income on permanently restricted net assets is classified as permanently restricted, temporarily restricted, or unrestricted, depending on the gift agreement.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents – Cash and cash equivalents primarily include amounts held for grants and other disbursements and amounts received from contributions which are held pending investment. Cash and cash equivalents include cash on hand and cash in checking and money market accounts.

Investments – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. In addition, the Foundation holds certain funds in alternative investments which are carried at the funds' net asset value. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur and interest and dividends are recognized as revenue in the period earned. Realized gains and losses are determined on the specific identification method.

In May 2015, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU No. 2015-07). ASU No. 2015-07 was issued to address diversity in practices of how certain investments measured at net asset value were categorized within the fair value hierarchy. ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share (or its equivalent) as a practical expedient. ASU No. 2015-017 is effective for annual periods beginning after December 15, 2015 with early adoption permitted. The Foundation has adopted the provisions of ASU No. 2015-07 in fiscal year 2016. Accordingly, the accounting change has been retrospectively applied to prior periods presented.

Third Party Trusts – The Foundation is the sole or joint beneficiary to the income of certain trusts held by third parties. The Foundation records these trust accounts at the fair value of the trust assets available for distribution to the Foundation, as the Foundation has determined that the fair value of the trust assets generally approximates the present value of expected future cash receipts. Distributions the Foundation receives from the trusts are recorded as investment income in the consolidated statement of activities.

Pooled Life Income Funds – Upon death of the donors, the Foundation is the beneficiary to the residual value of certain pooled life income funds. Deferred revenue is the difference between the fair value of the pooled life income funds at the time of receipt of the gift and the present value of the estimated future cash flows, and is included in accounts payable and other liabilities.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

for the years ended March 31, 2016 and 2015

(Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Contributions Receivable – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for uncollectible pledges is provided based on experience and anticipated collection efforts and is adjusted for current conditions as deemed appropriate. Noncash bequests, gifts, and donations are recorded at the fair market value of the asset at the date of donation.

Note Receivable – During 2016, the Foundation received a donation of closely-held stock and in accordance with the Foundations policy, the stock was sold to be invested in accordance with their investment policy. The donated closely-held stock was sold to an organization in exchange for a note receivable totaling \$1,085,575 to be paid over 9-years in monthly installments of \$10,994 including interest at a rate of 1.81%. The note is collateralized by a pledge agreement of the closely-held stock to the Foundation. No allowance for doubtful accounts has been recorded against the note based on the collateralization and collection history.

Property and Equipment – Property and equipment acquisitions with a cost of \$1,000 or more and that have an estimated useful life greater than one year are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 30 years. Repairs and maintenance costs are expensed as incurred.

Grants – The Board of Directors has established a spending policy based upon the quarterly market value of assets. The spending policy provides guidelines for amounts to be expended for grants and other expenses. All grants and other distributions are approved by the Board of Directors. Unconditional grants are recognized when approved. Grants approved by the Board of Directors that are payable upon performance of specified conditions by the grantee are recognized in the consolidated statement of activities when the specified conditions are substantially satisfied.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Functional Expenses – The costs of supporting the activities of the Foundation have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services as follows:

	<u>2016</u>	<u>2015</u>
Program expenses	\$ 10,509	\$ 10,015
Management and general	1,295	1,260
Development	<u>880</u>	<u>933</u>
	12,684	12,208
Less amounts for agency endowments	<u>1,263</u>	<u>920</u>
	<u>\$ 11,421</u>	<u>\$ 11,288</u>

The amounts above include costs associated with the Foundation's donor engagement plan. In September, 2011 the Foundation implemented a strategic plan to create a more donor-centric organization. These expenses are included in the consolidated statement of activities separate from administrative expenses and totaled \$228 in 2015. The strategic plan was completed during 2016 and all expenses are included in the functional expense categories above.

Comparative Financial Information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended March 31, 2015, from which the summarized information was derived.

Income Taxes – The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC are limited liability companies and are not tax paying entities for federal or state income tax purposes. Therefore, no provisions for federal and state income taxes have been recorded in the consolidated financial statements.

The Foundation accounts for uncertainties in income taxes in accordance with generally accepted accounting principles, which provides for financial statement recognition and measurement of tax positions taken or expected to be taken in tax returns that have a greater than 50% chance of not being allowed under examination. No such positions have been recorded in the March 31, 2016 and 2015 consolidated financial statements. If such positions were taken, the resulting interest and penalties would be recognized as income tax expense.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

1. Summary of Significant Accounting Policies, Continued:

Funds Held as Agency Endowments – *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* establishes accounting and reporting standards for transactions in which a donor transfers assets to a not-for-profit organization that accepts the assets from the donor and agrees to transfer those assets, the return on investment, or both, to the donor or another entity specified by the donor. Pursuant to this pronouncement, certain agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation.

Subsequent Events – Management of the Foundation has evaluated subsequent events through August 26, 2016, the date the consolidated financial statements were available to be issued.

2. Cash and cash equivalents:

Cash and cash equivalents consist of the following as of March 31:

	<u>2016</u>	<u>2015</u>
Cash	\$ 78	\$ 157
Short-term investments	<u>6,303</u>	<u>9,097</u>
	<u>\$ 6,381</u>	<u>\$ 9,254</u>

3. Investments:

Investments are stated at fair value and consist of the following at March 31:

	<u>2016</u>	<u>2015</u>
Marketable equity securities	\$ 108,340	\$ 116,494
U.S. government obligations	11,200	11,594
Corporate bonds	8,399	8,325
Other fixed income	15,278	14,287
Multi-class mutual funds	5,053	4,639
Alternative investments	<u>13,599</u>	<u>12,793</u>
	<u>\$ 161,869</u>	<u>\$ 168,132</u>

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statement of activities.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**
for the years ended March 31, 2016 and 2015
(Amounts in thousands)

4. Real Property Held for Investment:

The Foundation has ownership in a real estate property through its status as a limited partner in a development agreement (46% ownership by the Foundation). Revenue is restricted from the property to support a scholarship fund held as a fund of the Foundation. As a limited partner, the Foundation does not take part in management of the business or affairs of the partnership and does not have the right or authority to act on behalf of the partnership. Further, the Foundation is not liable for any losses, debts or liabilities of the partnership. The property's value was \$552 at March 31, 2016 and 2015 and is valued using an income capitalization analysis.

5. Contributions Receivable:

Contributions receivable represent promises to pay recorded at the present value of estimated future cash flows using an interest rate of 3.50%, which approximates the prevailing borrowing rate. Aggregate maturities of contributions receivable are as follows:

2017	\$	113
2018		62
2019		43
2020		37
2021		23
Thereafter		<u>22</u>
		300
Less: Discounts to net present value		21
Allowance for doubtful accounts		<u>11</u>
	\$	<u>268</u>

6. Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 344	\$ 344
Building and improvements	988	988
Furniture and fixtures	<u>414</u>	<u>401</u>
	1,746	1,733
Less accumulated depreciation	<u>293</u>	<u>205</u>
Property and equipment, net	<u>\$ 1,453</u>	<u>\$ 1,528</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

7. Cash Surrender Value of Life Insurance:

The Foundation is the beneficiary of five individual life insurance policies with face values totaling approximately \$218 and \$215 at March 31, 2016 and 2015, respectively. The amount reported in the accompanying consolidated statements of financial position represents the cash surrender value of the policies as of fiscal year end.

8. Retirement Plans:

The Foundation offers a voluntary tax deferred plan under the provisions of Section 403(b) of the Internal Revenue Code, which permits employees to elect to invest a portion of their compensation until retirement. The plan is available to all full-time employees. The Foundation does not make contributions to this plan.

The Foundation also has a plan to provide supplemental retirement benefits to a former employee. Payments of approximately \$3 are made monthly and continue for 15 years or until the former employee's death. After 15 years, the payments increase by approximately \$1 per month. Benefit payments totaled approximately \$32 in 2016 and 2015.

9. Commitments:

The Foundation leases office equipment under a non-cancelable operating lease that expires in July, 2016, with minimum rental payments of \$5 per annum. This lease expense totaled \$5 in 2016 and 2015.

The Foundation has entered into various non-cancelable licensing agreements for software programs that expire in September, 2018. The minimum subscription fees are \$47 per annum with annual increases not to exceed 6% or 7%, depending on the licensing agreement. The subscription fees totaled \$47 in 2016 and \$37 in 2015.

10. Fair Value Measurements:

Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *Fair Value Measurements* are as follows:

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

10. Fair Value Measurements, Continued:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers other specific factors. The following section describes the valuation techniques used to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

U.S. domestic equity, mutual funds, fixed income and trusts comprise securities measured at level 1 and 2. Investments whose values are based on quoted market prices in active markets are classified within level 1. These investments generally include equity and mutual fund securities traded on a national securities exchange or listed on the Nasdaq and U.S. government obligations. Corporate bonds, U.S. government agencies and municipal obligations are measured at level 2 and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Real property held for investment categorized as level 3 (unobservable inputs), is reported at the fair value of the property at the time of the donation to the Foundation less any impairment losses. The fair value is based on a combination of capitalized income from the property as well as comparable direct sales.

Alternative investments comprise of investments in private equity and real estate funds measured using net asset value per share as the practical expedient. The fair value amounts presented in the fair value hierarchy table below are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statement of financial position.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

10. Fair Value Measurements, Continued:

The following table presents the investments in securities, trusts, and property carried on the consolidated statements of financial position by level within the fair value hierarchy as of March 31:

	2016			
	Level 1	Level 2	Level 3	Total
U.S. domestic equity:				
Consumer discretionary	5,911	-	-	5,911
Consumer staples	2,938	-	-	2,938
Energy	1,800	-	-	1,800
Financials	6,502	-	-	6,502
Healthcare	3,747	-	-	3,747
Industrials	7,927	-	-	7,927
Information technology	9,390	-	-	9,390
Materials	2,275	-	-	2,275
Other equity	1,134	-	-	1,134
Telecommunications	361	-	-	361
Utilities	1,189	-	-	1,189
Total U.S. domestic equity	43,174	-	-	43,174
U.S. domestic equity mutual funds	27,173	-	-	27,173
International equity mutual funds	37,685	-	-	37,685
Alternative mutual funds	308	-	-	308
Fixed income:				
Corporate bonds	-	8,399	-	8,399
Fixed income mutual funds	15,229	-	-	15,228
Municipal obligations	-	49	-	49
U.S. government agencies	-	4,385	-	4,385
U.S. treasury obligations	6,815	-	-	6,816
Total fixed income	22,044	12,833	-	34,877
Multi-class mutual funds	5,053	-	-	5,053

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2016 and 2015
(Amounts in thousands)

10. Fair Value Measurements, Continued:

	2016			
	Level 1	Level 2	Level 3	Total
Trusts accounts	<u>10,135</u>	<u>-</u>	<u>-</u>	<u>10,135</u>
Real property held for investment	<u>-</u>	<u>-</u>	<u>552</u>	<u>552</u>
Total assets at fair value	<u>\$ 145,572</u>	<u>\$ 12,833</u>	<u>\$ 552</u>	<u>\$ 158,957</u>
Fund of funds				11,524
Real estate fund				800
Private equity fund				1,025
Other				<u>250</u>
Total investments valued using NAV				<u>13,599</u>
Total investments				<u>\$ 172,556</u>

	2015			
	Level 1	Level 2	Level 3	Total
U.S. domestic equity:				
Consumer discretionary	8,819	-	-	8,819
Consumer staples	2,350	-	-	2,350
Energy	3,798	-	-	3,798
Financials	11,098	-	-	11,098
Healthcare	6,846	-	-	6,846
Industrials	8,707	-	-	8,707
Information technology	10,286	-	-	10,286
Materials	2,422	-	-	2,422
Other equity	884	-	-	884
Telecommunications	27	-	-	27
Utilities	<u>923</u>	<u>-</u>	<u>-</u>	<u>923</u>
Total U.S. domestic equity	<u>56,160</u>	<u>-</u>	<u>-</u>	<u>56,160</u>
U.S. domestic equity mutual funds	<u>20,305</u>	<u>-</u>	<u>-</u>	<u>20,305</u>
International equity mutual funds	<u>34,866</u>	<u>-</u>	<u>-</u>	<u>34,866</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2016 and 2015
(Amounts in thousands)

10. Fair Value Measurements, Continued:

	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Alternative mutual Funds	<u>5,163</u>	<u>-</u>	<u>-</u>	<u>5,163</u>
Fixed income:				
Corporate bonds	-	8,325	-	8,325
Fixed income mutual funds	14,251	-	-	14,251
Municipal obligations	-	36	-	36
U.S. government agencies	-	4,329	-	4,329
U.S. treasury obligations	<u>7,265</u>	<u>-</u>	<u>-</u>	<u>7,265</u>
Total fixed income	<u>21,516</u>	<u>12,690</u>	<u>-</u>	<u>34,206</u>
Multi-class mutual funds	<u>4,639</u>	<u>-</u>	<u>-</u>	<u>4,639</u>
Trusts accounts	<u>11,246</u>	<u>-</u>	<u>-</u>	<u>11,246</u>
Real property held for investment	<u>-</u>	<u>-</u>	<u>552</u>	<u>552</u>
Total assets at fair value	<u>\$ 153,895</u>	<u>\$ 12,690</u>	<u>\$ 552</u>	<u>\$ 167,137</u>
Fund of funds				12,543
Other				<u>250</u>
Total investments valued using NAV				<u>12,793</u>
Total investments				<u>\$ 179,930</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

10. Fair Value Measurements, Continued:

The following tables set forth a summary of the Foundation's investments with a reported NAV as of March 31:

2016				
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fund of funds (a)	11,524	-	Quarterly	90-95 days
Real estate fund (b)	800	1,200	None	None
Private equity fund (c)	1,025	1,033	None	None
Other (d)	<u>250</u>	<u>-</u>	None	None
Total	<u>\$ 13,599</u>	<u>\$ 2,233</u>		

2015				
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fund of funds (a)	12,543	-	Quarterly	90-95 days
Other (d)	<u>250</u>	<u>-</u>	None	None
Total	<u>\$ 12,793</u>	<u>\$ -</u>		

- (a) Funds included in this category comprise of investments in other offshore funds organized to invest and trade directly and indirectly in securities and other financial instruments through advisory accounts and investments in private investment funds.
- (b) Funds included in this category comprise of real estate private equity funds for the purpose of income and capital appreciation.
- (c) Funds included in this category comprise private equity funds held in a limited partnership that are focused primarily on making buyout and growth capital investments in companies that are organized or headquartered within the United States and that have EBITDA below \$10 million and enterprise values below \$100 million.
- (d) The fund included in this category is an investment in a LLC whose main purpose is investing in pre-market-entry-stage businesses that have high growth potential.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

11. Restricted Net Assets:

Restricted net assets include the following types of restrictions by the donors:

Donor Advised funds are subject to ongoing recommendations or designations by donors. Donors serve as advisory members to the fund and recommend to the Foundation the charitable organizations or fields of interest to receive grants from the funds.

Agency Endowment funds are restricted to make grants to designated nonprofit agencies to provide long term support of the agencies' mission and charitable programs.

Scholarship funds are restricted to provide scholarships for specified fields of study, schools or types of students.

Permanently restricted net assets are restricted by the donor to be held in perpetuity with the related income expendable to support either temporarily restricted or unrestricted purposes, according to the gift instruments. Permanently restricted net assets at March 31 are as follows:

	<u>2016</u>	<u>2015</u>
Donor advised funds	\$ 3,169	\$ 3,405
Agency endowment funds	27,762	27,556
Other	<u>9,643</u>	<u>9,643</u>
	<u>\$ 40,574</u>	<u>\$ 40,604</u>

Temporarily restricted net assets at March 31 are as follows:

	<u>2016</u>	<u>2015</u>
Donor advised funds	\$ 37,888	\$ 40,300
Agency endowment funds	23,157	26,332
Scholarship funds	6,227	6,691
Building fund	423	453
Other	<u>6,301</u>	<u>7,798</u>
Total	<u>\$ 73,996</u>	<u>\$ 81,574</u>

Net assets released from restrictions of \$9,843 in 2016 and \$9,209 in 2015 resulted from incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

12. Endowment:

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – Contributions made to the Foundation are subject to the terms of the Foundation's governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. In addition, under the terms of agreements with donors, the Foundation has variance power over amounts contributed to the Foundation; that is, the ultimate discretion of the use of such funds lies with the discretion of the Board of Directors. As a result of such variance power, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Endowment Net Asset Classification by Type of Fund

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 36,108	\$ 37,405	\$ 73,513
Donor-advised funds	-	37,888	3,169	41,057
Board-designated funds functioning as endowment	32,697	-	-	32,288
Total funds	<u>\$ 32,697</u>	<u>\$ 73,996</u>	<u>\$ 40,574</u>	<u>\$ 147,267</u>
	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 41,274	\$ 37,199	\$ 78,473
Donor-advised funds	-	40,300	3,405	43,705
Board-designated funds functioning as endowment	32,288	-	-	32,288
Total funds	<u>\$ 32,288</u>	<u>\$ 81,574</u>	<u>\$ 40,604</u>	<u>\$ 154,466</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended March 31, 2016 and 2015
(Amounts in thousands)

12. Endowment, Continued:

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, March 31, 2014	\$ 31,815	\$ 74,414	\$ 40,631	\$ 146,860
Investment return:				
Investment income	1,221	2,065	-	3,286
Net appreciation	887	3,172	15	4,074
Total investment return	2,108	5,237	15	7,360
Contributions	569	10,909	181	11,659
Appropriation of endowment assets for expenditure	(2,204)	(9,209)	-	(11,413)
Reclasses	-	223	(223)	-
Endowment net assets, March 31, 2015	32,288	81,574	40,604	154,466
Investment return:				
Investment income	1,160	2,032	-	3,192
Net appreciation (depreciation)	(1,744)	(6,481)	2	(8,223)
Total investment return	(584)	(4,449)	2	(5,031)
Contributions	2,215	6,840	90	9,145
Appropriation of endowment assets for expenditure	(1,470)	(9,843)	-	(11,313)
Interfund Grants	-	(126)	126	-
Reclasses	248	-	(248)	-
Endowment net assets, March 31, 2016	\$ 32,697	\$ 73,996	\$ 40,574	\$ 147,267

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**
for the years ended March 31, 2016 and 2015
(Amounts in thousands)

12. Endowment, Continued:***Description of Amounts Classified as Permanently and Temporarily Restricted Net Assets***

	<u>2016</u>	<u>2015</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation	<u>\$ 40,574</u>	<u>\$ 40,604</u>
Temporarily Restricted Net Assets		
Investments, temporarily restricted for future grants and operating expenditures	<u>\$ 73,996</u>	<u>\$ 81,574</u>

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grants supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation targets, over a five-year moving period, to provide an average rate of return of approximately 8% annually (net of investment expenses) and to exceed the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has established a spending policy providing guidelines for amounts available annually for distribution in the form of grants and operating expenses net of certain offsetting contributions and administrative fee income. Investment management fees are not included in the spending policy. The spending policy is based upon a maximum of 5% of the average market value of the Foundation’s total investment pool for the previous twelve calendar quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation’s objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued for the years ended March 31, 2016 and 2015 (Amounts in thousands)

12. Endowment, Continued:

Investment expenses – Investment expenses comprise both management and custodial fees for which the Foundation is billed directly and are evaluated periodically for reasonableness by the Foundation. Investment expenses, net of agency endowment obligations, totaled \$628 (\$704 less \$76) for 2016 and \$631 (\$704 less \$73) for 2015.

Certain investment expenses charged to the Foundation on mutual funds are netted against investment income by the mutual fund manager. Mutual fund investment expenses, net of agency endowment obligations, included in investment income reported on the statement of activities, totaled \$405 (\$449 less \$44) for 2016 and \$458 (\$511 less \$53) for 2015.

13. Main Office Building Fire:

In January, 2014, the Foundation experienced a fire in the western portion of the main office building. The resulting damage from the fire left the building uninhabitable in its present state and as a result, the Foundation relocated its operations to temporary office space until the building was fully restored in November, 2014. The costs to fully restore the office space were reimbursed through insurance proceeds.

14. Legal Matters:

During the normal course of business, the Foundation may, from time to time, be involved in routine legal matters which management intends to defend. Management believes the likelihood of any material adverse outcome to be remote.